



Australian Bureau of Statistics

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Summary

About this Release

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Human capital is an important concept in many aspects of economics including growth theory and labour economics. Unfortunately, direct measures of human capital stocks are available for very few countries. This paper provides experimental measures of the stock of human capital for Australia.

The paper adopts a 'lifetime labour income approach'. This method measures the stock of human capital as the discounted present value of expected lifetime labour market income. Expected income streams are derived by using cross-sectional information on labour income, employment rates and school participation rates. This approach is also able to account for the value inherent in unfinished investment in human capital - that is, it can account for those individuals who are still participating in formal schooling and who anticipate improved employment and income prospects as a result of this schooling.

The standard human capital theory underpins this experimental study. In projecting future income streams, a number of assumptions have been made about the duration of alternative schooling activities, income growth rate and discount rate. In addition, human capital provides a plethora of benefits both in and out of the labour market. As this study is confined to market labour activities, many nonmarket returns to human capital may not be reflected in these measures.

Using Australian Census data for 1981, 1986, 1991 and 1996, this study calculates lifetime labour market incomes for 410 age/sex/education cohorts. Preliminary results show that there has been a significant increase in the stock of human capital in Australia.

Possible future developments include sensitivity tests of alternative assumptions, expansion of estimates into non-Census years, valuation of nonmarket labour activities, investment in and rates of return to different types of education.